Renewed Vigor in Economy; Production, Incomes Rise

'Rapid Growth Ahead' In Employment

OTTAWA (CP)—Finance Minister Fleming said Thursday night there is renewed vigor in Canada's economy and predicted an above-average rise of seven per cent in national production in 1959.

"The forces of growth and expansion have reasserted themselves," he said.

Mr. Fleming forecast a $34,500,000,000 gross national product—the value of all goods and services produced—for 1959.

NORMAL TIMES

His prediction of a seven-per-cent production rise, compared with a sub-normal gain of 2½ per cent in 1958, was based on the assumption there will be normal crops, stable prices and no "untoward" happenings abroad.

The minister said the country can expect "a rapid growth in employment opportunities."

'ON GUARD'

He saw no signs of "overt inflation" this year, but said Canada must be "on guard against potential inflationary pressures."

The main impetus to economic growth would come from rising consumer buying because of fatter pocketbooks. Higher corporate profits also would play a role.

But he indicated that "no large increase in exports" is expected, though the U.S. economic recovery would help some Canadian exports.

He renewed past warnings that Canada must keep prices down if it wants to hold its markets.

'RESENTMENT'

Turning to U.S. trade policy, Mr. Fleming said there is "strong resentment" against U.S. import curbs on lead, zinc and oil. Canada would continue to press for removal of those and other "unjustifiable" trade barriers.

He said Canada can and should hold the line on inflation.

"I reject the doctrine of either the desirability or the inevitability of creeping inflation . . ."

STABILITY

Referring to the decline in the Consumer Price index in the last four months, he added: "I believe that it is well within the power of Canadians to achieve reasonable price stability without sacrificing either immediate recovery or balanced growth."

Consumer spending rose three per cent in the last three months of 1958 — the largest quarterly rise since 1952. Total wages and salaries rose two per cent in the full year and by December labor income was five per cent above January's low point.

INCOMES UP

Personal incomes after taxes were up seven per cent in 1958 and Canadians tucked away into savings one-third of the increase — "an unusually high proportion."

"A return to more normal levels of saving together with the anticipated expansion in personal incomes can be expected to impart still greater strength to consumer spending."

Corporate profits, although down five per cent in the full year 1958, were on the upswing in the third quarter and fourth quarter, which should encourage capital investment.

PROVINCIAL AID

Provinces will receive $684,000,000 in the 1959-60 fiscal year under the federal-provincial tax-sharing agreement. Total federal payments to provinces and provincial institutions will be an estimated $1,212,000,000—almost double the $689,000,000 three years ago.

WILLIAM BENIDICKSON
". . . somersault"

★ ★ ★

Cake Must Be Paid For

'Nipping Recovery' Says Liberal Critic

OTTAWA (UPI) — Liberal opposition financial critic William Benidickson accused Finance Minister Fleming of "nipping Canada's economic recovery in the bud"

He described the budget as "the biggest somersault that I can recall," and charged that it was "a striking contrast to the government's soothing forecast of tax reductions and increased services."

He criticized Mr. Fleming "for a deceptive analysis of the budget and for seeming to forget the possibility of a surplus or a balanced budget." He said in place of the "whopping deficit" Mr. Fleming might have reduced the deficit by $500,000,000 "without resorting to tax increases or a reduction in government services."

"What a contrast. It appears the electorate voted for cake and they're now finding the cake seemingly has to be paid for," Mr. Benidickson told the House.

Both Mr. Fleming and Prime Minister Diefenbaker told the country that "taxes already are too high," Mr. Benidickson said. He added that except in wartime "there hasn't been an increase in direct taxes since the Bennett regime. We have the same kind of government, and the same kind of results."

He said the government's apparent concern for the low-income group was "striking in its deception" and predicted the $3,000-a-year wage earner will have $2.50 a month less in his take-home pay. Mr. Fleming had indicated this group will not feel the tax increases.

He called Mr. Fleming's announcement that the national debt would jump by $393,000,000 "gloomy news." He said this was coupled "with a brag that the public has increased its holdings of government securities."

He called the tax increases "the utmost in political cynicism," and suggested "the increases might be compensated for two years hence at a more appropriate time for reductions"—apparently referring to the likelihood of the next general election being held in 1962.

Everyone Walloped

High Incomes Hit Harder

OTTAWA (CP) — Every taxpaying individual and company will pay more income tax through Thursday night's federal budget, with the higher brackets hit heavier in both cases.

Low-paid persons and low-profit corporations are not touched by increases in regular income tax, but will pay more in the special tax earmarked to finance old-age pensions.

This year, individuals will pay the increases for only half a year, starting July 1.

THREE FROM TWO

For all, the old-age tax will go to three from the present two per cent of taxable income, with the limit for individuals raised to $90 from $60 a year. This increase applies also to the special old-age sales tax.

For individuals with taxable income over $3,000, the regular income, tax rate is boosted by two per cent on the amount above $3,000.

18 PER CENT

Corporations making more than $25,000 will pay 47 instead of the present 45 per cent on the amount over $25,000, for ordinary income tax. The rate on the first $25,000 remains at 18 per cent.

For corporations, the tax boosts are effective Jan. 1, 1959, but for individuals they begin next July 1.

NO DEDUCTIONS

The taxpayer will not be able to deduct from his taxable income those portions of medical bills paid through a provincial plan financed with the help of the federal government.

However, he will be able to deduct expenses for which he has paid; those paid for through his own insurance, and any co-insurance charges he has paid under a provincial scheme.

Comparison

Income	Single	Married	Children (2)
	Canada		
$ 1,300	22	—	—
$ 2,000	99	—	—
$ 4,000	403	236	166
$10,000	1,781	1,495	1,370
	United States		
$ 1,200	98	—	—
$ 2,000	242	122	—
$ 4,000	625	485	245
$10,000	2,098	1,636	1,372
	United Kingdom		
$ 1,200	95	37.50	—
$ 2,000	301	202	53
$ 4,000	904	797	584
$10,000	3,700	3,548	3,238

Figures for Canada exclude Old Age Security Tax.

Pipe-Puffers, Beer-Bibbers Get Break

Pipe smokers and beer drinkers got the breaks in Canada's 1959 budget, as federal taxes on hard liquor and cigarets both went up. Pipe smoker Stewart Watt, with pipe, managed to look a little more cheerful last night than cigaret smoker Denis Roberts, but neither was too pleased about income tax increase.—(Colonist photo.)

★ ★ ★

Man in the Street:

'Tough but Fair'

★ ★ ★

Greater Victoria residents chosen at random from the telephone book last night seemed agreed that the federal budget announced last night was severe but fair.

Several commented favorably on the major rise in overall tax falling on the higher income brackets.

Mrs. Douglas Anderson, 2976 Ashdowne: "I haven't really been paying too much attention to it. It doesn't sound too good."

Barney Baker, 504 Menzies: "It's not very good, is it? That two percent (rise in income tax on taxable income over $3,000) will hit a little bit.

RATHER SEVERE

R. H. Candy, 2596 Cavendish: "I think it is rather severe considering the promises of the past. I think they (the federal government) possibly got in by saying they were not going to spend too much money and that the other party was tax wild. They hope the public will forget and they generally do. Nevertheless, as a budget, I think it is very wise."

Roger Emery, 4565 Duart: "It doesn't sound very good. The tax on cigarets and that type of thing is not too bad. I think it is just one more little bit of blood. People don't have to smoke. I certainly would like to cut down on smoking."

A GOOD THING

John Forbes, 2805 Rockwell: "I have always considered income tax a very fair way of taxing people. The government has to get the money somewhere and it is best to take it from people who have money. We expect the government to do a great many things, and they have to get the money somewhere. If it isn't going to penalize the person without money I think it is a good thing."

Mrs. V. C. Graham, 990 Cloverdale: "Any budget increasing any part of the taxes is thought to be a bad thing, but if taxes have to go up, the more people it affects the better. So far as the tax on tobacco and alcohol is concerned there will be a lost of people affected. Some people will give up smoking."

FAIR ENOUGH REALLY

Mrs. A. P. Holm, 349 Linden: "Well, you hate to see things going up, but wages are going up and I think it is fair enough, really."

E. Ilott, 2134 Ridge: "I think they are going pretty far with that (preventing people claiming BCHIS payments during hospitalization as deductions). People may be in hospital for a month and it is pretty tough when they are off all that time from work. I think the two per cent tax rise (on taxable income in excess of $3,000) is a bit too much. Cigarets are a luxury. I smoke pretty heavy, myself, but it could be cut out, I suppose."

FEW CUTS MORE

Alan Johnson, 2562 Maynard: "It sounds pretty fair so far. Higher income brackets should pay more. This two per cent won't hit the average working man. So far as cigarets and liquor and whatnot, it is something that a person can do without. I smoke quite heavy but if I want to continue I don't think it will hurt to pay a few cents more."

Short Lag Likely Before Cigarets Up

Price of cigarets is unlikely to increase for the next few days at least.

Wholesalers said last night they will probably continue to sell current stocks at the old prices while they last—a matter of a few days, perhaps as long as two weeks in some cases.

The majority of retailers polled indicated they won't pass on any price increase until it becomes necessary.

TOTAL INCREASE

The excise tax goes up $1 per 1,000 cigarets, the equivalent of two cents a package of 20. Add to this a fifth-of-a-cent increase in federal sales tax and the total increase in the cost of a regular package equals 2 1/5 cents.

There was an unconfirmed report that wholesalers will take this opportunity to widen the margin of profit, which was 3½ per cent at the wholesale level. This could mean a total increase of three cents on a regular package.

EVEN ONE CENT

Abe Libby, a typical retailer, said he was hopeful the wholesalers will absorb the extra fifth-of-a-cent or perhaps even one cent.

"We won't make a move to increase our prices," he said, "as long as the wholesalers keep supplying us at the old prices."

Frank Edwards, local branch manager for a large firm of wholesalers, said he felt the two cent increase was "a bit drastic."

TWO WEEKS

He estimated that a price increase to the public may be as long as two weeks off, but more likely will come in about 10 days.

Mr. Edwards explained that excise tax is paid at the factory when stickers are placed on each package of cigarets. For this reason all stock now on shelves in retail and wholesale outlets is "paid for," he said. When it is gone the price increase will reach the public.

None of the tobacconists reported a heavy rush for cigarets when the budget news came out.

MOST WILL KICK

But one storekeeper predicted nine out of 10 people who come in to buy cigarets will kick about the extra two cents.

"The public is funny that way," he said. "They'll go out and spend an extra dollar in a beer parlor, but they'll kick over an extra two cents for a package of cigarets. It'll take a few weeks, but they'll get accustomed to the new price."

Local operators of cigaret vending machines are facing a serious problem with machines requiring mechanical attachments to either take pennies as well as dimes, nickels, quarters — or else make change.

This Is the Budget:

We're Asked to Pay For Welfare State

By HARRY YOUNG
Colonist Business Editor

This is roughly the budget in which Mr. Fleming sends out the bills that are to pay for the expenses incurred in running a welfare state.

Most of the $245,000,000 to be raised this year in new taxation will be used to meet the deficit in the nation's old-age pension and health service schemes.

Practically everyone will participate in the payment of the extra taxes.

The revenue for the welfare schemes was hitherto paid for on what was known as the 2-2-2 basis.

INTO THE POOL

Two per cent of income tax, two per cent of corporation tax and two per cent of federal sales tax went into the pool.

Now it is to be 3-3-3, and Mr. Fleming thinks that the extra contributions will keep the pensions and health funds in balance for the next few years.

Most taxpayers will agree that this had to be done, and the evidence so far is that Mr. Fleming has endeavored to spread the load as fairly as he can.

In the lowest income tax brackets, the increase will not amount to more than 10 or 12 cents a week, and in no case will the personal income tax levy for social security needs be increased above $90 a year—at present the top limit is $60.

OLD AGE SECURITY

Corporations with taxable incomes of more than $25,000 will have to pay an extra two per cent, plus an extra one per cent—unlimited—to be earmarked for old-age security.

To this degree it is a tooth-pulling budget for all but the increase in the federal sales tax—from 10 per cent to 11 per cent—is an extra burden which will be borne by the consumer.

On an automobile the extra tax to be paid by the manufacturer will be between $10 and $20, depending on the "class' of the vehicle.

EXTRA ONE PER CENT

As mark-ups are applied to the article, the extra one per cent sales tax will snow-ball until it reaches the consumer, and then, of course, there will be the provincial five per cent sales tax to be paid on the higher-priced article.

Mr. Fleming thinks the new taxes can be borne without affecting the recovery of the country, and he underlines his optimism by estimating a seven per cent increase in the gross national product at $34,500,000,000.

The extra taxation on the smoker and the hard-liquor drinker was a natural for any finance minister in need of funds. These imposts will raise ire and be forgotten quickly. The beer drinkers a real democratic British touch this—have been excluded from the general punishment.

BEYOND MEANS

But if Mr. Fleming thinks that he has distributed the burden in a way that will hit nobody beyond his means, he has forgotten the sick folk of British Columbia who through illness or accident become hospital inmates.

In the past any person entering a B.C. hospital under BCHIS care was entitled to claim income tax relief on the amount paid the hospital on his behalf by the BCHIS.

In the case of Victoria hospitals he could claim just under $17 a day for each day spent in hospital.

Now he cannot claim tax relief for the amount paid on his behalf by the provincial-federal scheme.

He will only be entitled to claim on his own $1 a day fee, and on any other services not covered by BCHIS.

DOCTOR'S FEES

Doctors' fees, extra nursing help, or fees for private rooms will qualify for income tax relief whether paid for by the individual or through MSA or other group insurance.

The omission of BCHIS payments for income tax claims will affect many thousands of British Columbians. With only a two-week stay in hospital in a year they have been able to claim tax relief on as much as $230. For a stricken family it was a veritable lifesaver in many cases.

To many Victorians, however, the brightest feature of a not too cheerful budget will be the minister's decision not to touch the 20-per-cent dividend tax credit.

DONE MORE

This is the allowance that has persuaded many investors to place their money in Canadian equities, and in the five years in which it has been in operation it has probably done more than any other single measure to keep many Canadian companies in Canadian ownership.

Apart from the fact that it was also a measure to reduce the impact of double taxation—corporation and personal incomes tax—on the same earnings, it was of inestimable help to many who live on fixed income and were using preferred and common stocks as a hedge against the inflationary spiral.

With the prospect of a balanced budget by 1960-61, Mr. Fleming has done what was expected of him. The pay-as-you-go policy for welfare schemes should go a long way toward restoring confidence in government securities, and may in effect put borrowing generally onto a more realistic basis than it is at present.

Cosmetics Higher

It May Cost More To Be Beautiful

OTTAWA (CP)—The cost of being beautiful—if you need cosmetics, toiletries and that sort of thing—may be going up.

Finance Minister Fleming in his Commons budget speech announced regulation changes affecting taxation on cosmetics, toiletries and other pharmaceuticals from certain sources.

Most affected will be distributors who buy these products in bulk and package them themselves.

For taxation purposes they will be considered manufacturers. This will make the selling price of their packaged products subject to both the 11-per-cent sales tax and the 10-per-cent excise tax.

Previously, this applied only to such products from actual manufacturers, some of whom do their own packaging.

Brunt Comes In '60

Canadian taxpayers will bear the full brunt of increased personal income taxes only in 1960.

This is how the tax for 1960 compares with the 1959 levy for persons who are single, married with no dependents and married with two children, plus the figures in brackets showing the taxpayers' contributions to the old-age security fund.

SINGLE

Income	1959		1960	
$ 1,500	44	(10)	44	(12)
$ 2,000	99	(23)	99	(27)
$ 2,500	166	(35)	166	(42)
$ 3,000	236	(48)	236	(57)
$ 3,500	318	(60)	318	(72)
$ 4,000	403	(73)	403	(87)
$ 5,000	582	(75)	591	(90)
$ 7,500	1,120	(75)	1,154	(90)
$10,000	1,781	(75)	1,840	(90)
$15,000	3,521	(75)	3,630	(90)

MARRIED, NO CHILDREN

Income	1959		1960	
$ 2,300	22	(5)	22	(6)
$ 2,400	33	(8)	33	(9)
$ 2,500	44	(10)	44	(12)
$ 3,000	99	(23)	99	(27)
$ 3,500	166	(35)	166	(42)
$ 4,000	236	(48)	236	(57)
$ 5,000	403	(73)	403	(87)
$ 7,500	894	(75)	918	(90)
$10,000	1,495	(75)	1,544	(90)
$15,000	3,131	(75)	3,230	(90)

MARRIED, TWO CHILDREN

Income	1959		1960	
$ 2,200	22	(5)	22	(6)
$ 2,900	33	(8)	33	(9)
$ 3,000	44	(10)	44	(12)
$ 3,500	99	(23)	99	(27)
$ 4,000	166	(35)	166	(42)
$ 5,000	318	(60)	318	(72)
$ 7,500	780	(75)	808	(90)
$10,000	1,370	(75)	1,414	(90)
$15,000	2,936	(75)	3,030	(90)

Tariff Off Press Photos

OTTAWA (CP) — Tariff charges for imported news photographs, negatives and exposed film will be removed under a budget proposal.

Proposed tariff changes include one for the elimination of a duty ranging from 15 to 20 per cent on the price of photographs, negatives and exposed film "for use only as news illustrations."

Regulations covering this change, if and when it is approved by parliament, are to be set by the finance minister.

'Disappointed' —Labor Chief

Victoria Labor Council president Robert Barrie last night said he was disappointed generally with the budget and added, "I expected something like this from a Conservative government."

He said he was pleased to see an increase in taxes for old age pensions, but did not approve of removal of full hospital charges from income tax deductions. He said in past these deductions have helped patients meet additional costs of illness.

Liquor Up Today? —No One Knows

Question of whether B.C. liquor prices go up immediately today in the wake of federal budget tax boosts remained unanswered last night when Liquor Commissioner Donald McGugan could not be reached for comment.

Other LCB officials said the decision was one for the Liquor Control Board—"and Col. McGugan is the board."

$143,000,000 Not Enough

OTTAWA (CP) — Increases in special taxes on personal and corporation incomes and on commodity sales were proposed to put the old-age pension fund on a sounder basis.

Retaining the tax system designed originally to provide funds for an old-age pension without means test to all at age of 70, he raised to three per cent from two per cent the levy on the two categories of income and on commodity sales. This brought the commodity sales tax to 11 per cent from 10.

But even with the $143,000,000 extra expected to be brought into the old-age security fund, Mr. Fleming forecast a deficit of $42,000,000 by the end of this fiscal year March 31, 1960.

However, this deficit will be sharply lower than the record one of $184,000,000 piled up in the fiscal year ended March 31.

Mr. Fleming said he expects to get $536,000,000 in 1959-60. He is planning for pension payments totalling $578,000,000 and will finance the deficit, as in the past, with loans from the treasury.

Instead of charging it to his current budget, he said he will carry the deficit into the 1960-61 fiscal year.

The current pension of $55 a month has been in effect since November, 1957, when it was raised from $46. From 1952 until July 1, 1957, it was $40 a month.

Mr. Fleming said that if contributory and pay-as-you-go principles recommended by a joint Commons-Senate committee six years ago are to be retained, higher contributions will be necessary beginning this year.

Mr. Fleming indicated that within the next two or three years revenue into the fund should bring it into balance with pension payments.